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TRGY, TSPL

SUBJECT: CONGRESSMAN MARKEY SHOWS OPTIMISM IN VIDEO
CONFERENCE WITH EUROPEAN COMMISSION

* Missing Section 001 *

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confident in the outstanding people and commitment from the administration, he questions how flexible the U.S. could be. He noted that there is a risk that the agreement only serves to highlight what countries are doing domestically and questioned what the UN negotiating process adds to the debate in that situation.

¶6. (SBU) The Chairman acknowledged Falkenberg's concerns, noting that it would certainly be better if the entire Congressional process was complete by Copenhagen. He expressed belief that significant progress can be made to aid in the preparation for Copenhagen. He relayed Congressional commitment, explaining that after Waxman-Markey was submitted, the Chairman travelled with Speaker of the House Nancy Pelosi to China, where they met with several officials at the top of the Chinese leadership to demonstrate U.S. intent to pass legislation. Additionally, Waxman-Markey contains several key provisions focusing exclusively on international climate efforts. He explained that the legislation allots approximately \$5 billion/year to address international deforestation, as well as up to \$4 billion/year each for international clean technology development and international adaptation. Addressing outcomes in Copenhagen, the Chairman expressed that ultimately, all countries must have a common plan by which everyone is bound.

Carbon Markets Remain Commission Priority

¶7. (SBU) Beyond Copenhagen, a key message from the Commission is the aim of a global carbon market, ideally to be led by the creation of a transatlantic carbon market. Falkenberg said that the United States and the EU need to look now at how to link the markets. However, he identified what he saw as two problems with Waxman-Markey: the inclusion of border adjustment measures and the existence of carbon price floors and ceilings. (Note: In separate meetings with Commission officials, the size and scope of the two systems has also been cited as a potential problem. The EU's Emissions Trading Scheme (ETS) makes up only 40-45% of the EU's economy, while Waxman-Markey covers 85% of the U.S. economy, incorporating both road transport and agriculture. It is the inclusion of agriculture that is

most often noted as the larger problem. The Commission has indicated that it wants to set up a U.S.-EU working group to address these concerns. End note.) The Commission successfully fought against the inclusion of either in ETS, and Falkenberg believes those could present stiff obstacles. Additionally, Falkenberg explained that the details of international offsets need to be discussed and agreed, because only if the systems equally maintain the integrity of projects can the systems be linked.

¶8. (SBU) The Chairman was in full agreement that there must be a way to link carbon markets and that offsets are set up correctly. Addressing border adjustment measures, he explained that many members are concerned that China and others will take advantage of U.S. environmental laws for a competitive advantage. The provision written into Waxman-Markey is intended to send a signal to the U.S. steel, aluminium, and concrete industries. However, it is important to note that the bill confers Presidential authority beginning only in ¶2020. By then, the Chairman argued, there should exist a tight international regime, in which case there will be no need for border measures.

¶9. (SBU) The Chairman concluded the DVC by stating that China wants to be number one in everything, particularly green technologies. As such, if the United States does not move, it will be left behind. That is a key message that needs to be sent to elicit Senate attention and drive traditional U.S. technology optimism to solve a problem, so that ultimately, the United States will export technologies to China, and not the other way around.

Comment

¶10. (SBU) The DVC was an effective method of delivering the message from Washington to influential EU

* Missing Section 003 *
